HB 700

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 700 (Delegate Schuler, *et al.*)
Economic Matters Finance

Workers' Compensation - Permanent Partial Disability - Compensation

This bill increases the maximum benefit for covered employees awarded compensation for less than 75 weeks for a permanent partial disability occurring on or after January 1, 2009. The maximum weekly benefit amount would increase on an incremental basis over three calendar years to 14.3% of the State average weekly wage in calendar 2009, 15.4% in calendar 2010, and 16.7% in calendar 2011 and thereafter. As a result, the maximum benefit is increased from the current limit of $114 to one-sixth of the average weekly wage on January 1, 2011, currently equivalent to $146.

The bill takes effect January 1, 2009 and applies to permanent partial disability claims filed on or after January 1, 2009.

Fiscal Summary

State Effect: State workers' compensation costs could increase by an estimated $321,800 in FY 2009. Future years reflect annualization, the phased-in increase, and growth in average weekly wages. No effect on revenues.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	$0	$0	$0	$0	$0
GF/SF/FF Exp.	321,800	683,300	770,600	835,900	872,100
Net Effect	($321,800)	($683,300)	($770,600)	($835,900)	($872,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local workers' compensation costs would increase by an estimated 0.8% to 2.0% to reflect the increase in the maximum benefit for first tier claims.

Small Business Effect: Workers' compensation costs would increase by an estimated 0.8% to 2.0% to reflect the increase in the maximum benefit for first tier claims.

Analysis

Current Law: Compensation for permanent partial disability is divided into three tiers, depending on the severity of the injury.

- Compensation for a period of less than 75 weeks is generally available for the loss of a finger or a toe. Claims arising from events occurring on or after January 1, 2000 are entitled to compensation equal to one-third of the average weekly wage of the covered employee, not to exceed $114. The maximum benefit is reduced for claims arising prior to 2000. Exceptions to maximum awards exist for certain disabilities and for specified public safety employees.

- Compensation for a period equal to or greater than 75 weeks but less than 250 weeks is generally available for the loss of a thumb, partial hearing loss, or disfigurement. These claims are entitled to compensation equal to two-thirds of the average weekly wage of the covered employee, not to exceed one-third of the State average weekly wage (currently equivalent to $292).

- Compensation for a period of 250 weeks or more is generally available for loss of a hand, arm, foot, leg, eye, or total loss of hearing. These claims are entitled to compensation equal to two-thirds of the average weekly wage of the covered employee, not to exceed 75% of the State average weekly wage (currently equivalent to $658).

Background: Based on the National Council on Compensation Insurance's estimate, the bill would increase workers' compensation costs in the voluntary market between $5.3 million and $13.3 million per year. This estimate does not include costs to self-insured entities, including the State.

The bill would affect the first tier of permanent partial disability benefits, those awarded for 75 weeks or less. The bill would not affect compensation to those covered employees whose average weekly wage is less than $342, three times the current maximum benefit of $114. The increase in the maximum benefit would increase benefits by up to 28% for covered employees whose average weekly wage exceeds $342 (based on the current State average weekly wage).

The bill could increase workers' compensation system costs by an estimated 0.8% to 2.0% when fully phased in. In addition, the maximum benefit is indexed to the State average weekly wage. Thus, the value of benefits would continue to increase in future years (4.3% annually based on the past five years' annual increases).

The Injured Workers' Insurance Fund provides workers' compensation insurance coverage to approximately 30% of Maryland businesses and acts as claims administrator for all State employees for workers' compensation insurance.

State Expenditures: State expenditures to provide the maximum weekly benefits under the bill could increase by $321,750 in fiscal 2009 and $872,115 in fiscal 2013. This estimate reflects the bill's benefit increases occurring each January 1 from 2009 through 2011. Thus, in fiscal 2009, the increase would be in effect for one-half year, due to the calendar year impact of the phased-in benefit increase. Likewise, in fiscal 2010 and 2011 the benefit amount changes halfway through the year; in fiscal 2012 and thereafter, the fiscal year benefits are 16.7% of the average weekly wage. An average annual growth rate of 4.3% is assumed in the average weekly wage.

Local Expenditures: Local expenditures would also increase under the bill. For example, Anne Arundel County expenditures would increase by $145,500 in fiscal 2009, $310,000 in fiscal 2010, $354,500 in fiscal 2011, and $380,000 in fiscal 2012, according to data supplied by the county. Montgomery County expenditures would increase by $357,500 in fiscal 2009, $759,200 in fiscal 2010, $856,200 in fiscal 2011, and $969,000 in fiscal 2012, according to data supplied by the county and analyzed by Legislative Services.

Additional Information

Prior Introductions: A similar bill was introduced in the 2007 session as HB 1261 and was heard by the House Economic Matters Committee. No further action was taken.

Cross File: None.

Information Source(s): Anne Arundel County, Garrett County, Montgomery County, National Council on Compensation Insurance, Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Department of Legislative Services

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